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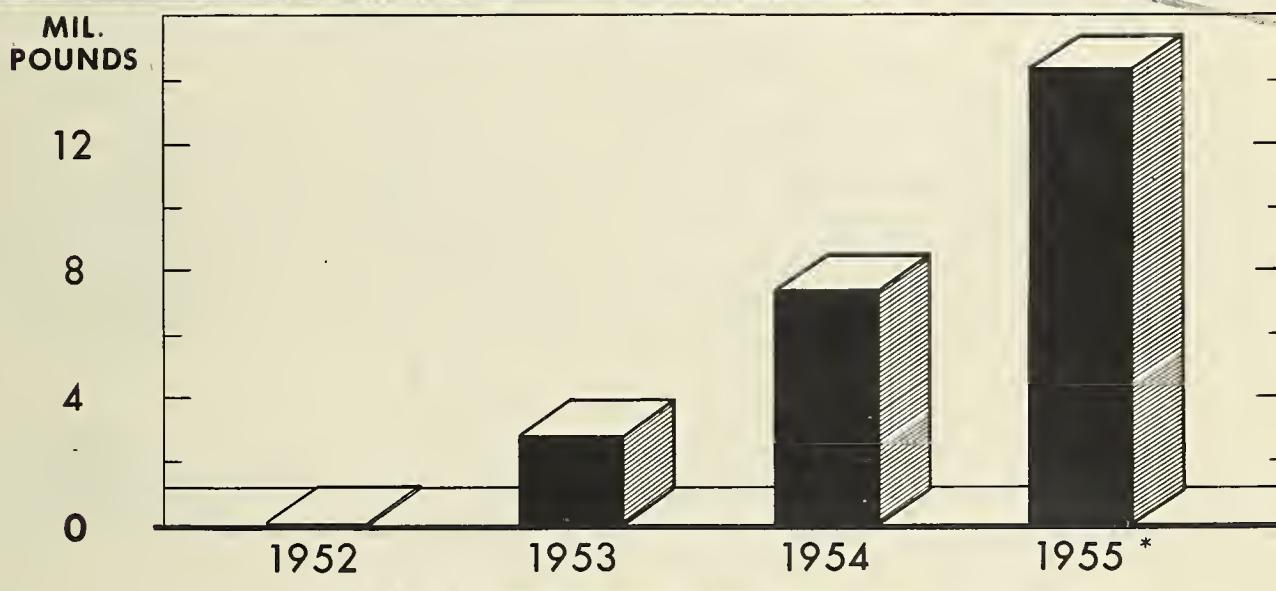
UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C.

FLM 1-56

February 6, 1956

GERMAN MARKET FOR MEAT PRODUCTS

FROZEN VARIETY MEATS U. S. Exports to Federal Republic of Germany



USDA

FAS-NEG. 762

Germany has been importing increasing quantities of frozen livers and kidneys from the United States. However, dollar imports have not been liberalized. Importers must pay substantial premiums to obtain dollars to purchase supplies in the United States. Tariffs and Equalization Turnover Taxes are applicable for these products and they are subject to rigid sanitary inspection.

If controls on dollar trade were relaxed, United States shipments of pork and edible variety meats (beef and pork) to Germany would increase substantially.

THE GERMAN MARKET FOR MEAT PRODUCTS 1/

Import Controls Generally Apply

Since the end of World War II the Republic of Germany has striven to become self-sufficient in meats. Imports have been controlled by a system of strict licensing. Although domestic meat production has been increasing steadily, meat prices are relatively high and per capita consumption has not yet reached prewar levels.

Imports of meat have been closely controlled both from dollar areas and from other areas of the world. When the government decides to permit imports, it publishes an "import announcement" specifying the commodities to be imported, the source of the imports, quality specifications and delivery dates. License applications are then submitted by importers and, if approved, lead to final contracts. Announcements are usually on an indefinite basis with the total volume and duration of the program not stated.

U. S. Exports Increase

In recent months import announcements have been made at fairly frequent intervals for hog livers, hog kidneys, and beef livers from the United States. This has been a small but increasing trade. United States exports of edible offals to Germany in 1952 amounted to only 67,000 pounds but increased to 2,763,000 in 1953 and 7,339,000 in 1954. Exports in the first 11 months of 1955 totaled 13,133,000 pounds. In recent years Germany has also imported small amounts of canned and other meat products from the United States, moderate amounts of fat back and large quantities of lard.

Meat imports from other countries have also been closely controlled. Imports of meat from all countries in 1954 totaled around 136 million pounds (carcass weight) compared with 132 million in 1953 and 100 million in 1952. Imports in prewar averaged 156 million pounds a year.

Dollar allocation for imports of variety meats (liver, kidneys, etc.) has not been liberalized. Importers must pay substantial premiums for dollars needed to purchase supplies in the United States. In addition, tariffs and the Equalization Turnover Taxes are applicable for these products and they are subject to rigid inspection by German veterinarians.

Foreign Competition for the Market

Germany's principal suppliers of beef during the first half of 1955 were Denmark, France and Ireland. Smaller amounts were brought in from Argentina, The Netherlands, and a few other countries. The principal sources of imported pork were Denmark, and The Netherlands, with smaller quantities shipped in from Belgium, France, Finland, Poland and a few other countries.

1/ Prepared by Grover J. Sims on the basis of a first hand study in Germany.

During the first half of 1955 Germany obtained most of its imported variety meats from Denmark, but the United States was the second largest supplier. The Netherlands was the other large source, and Belgium, Great Britain, Ireland, and Sweden supplied most of the remainder. The small imports of canned meat were shipped in mainly from Yugoslavia, The Netherlands, Argentina, France, Denmark, and the Union of South Africa.

Imports of live animals for slaughter were larger than imports of meat during the first half of 1955. Denmark is the largest exporter of cattle and calves to Germany. France and The Netherlands were the next most important shippers. Denmark, Sweden, and Hungary supplied practically all the hogs imported.

Per Capita Meat Consumption Low

Per capita consumption of meat in the original territory of Germany was estimated at an average of 113 pounds in prewar. Consumption in the present territory of Western Germany fell to the low level of 79 pounds per person during 1950 but has steadily increased to 96 pounds in 1954. Consumption in 1955 continued upward but did not reach the prewar level.

Inspection Procedures Increase Importer's Costs

All frozen livers and kidneys imported from the United States must be thawed for veterinary inspection. Formerly the only two inspection centers were Bremen and Hamburg, but now they may be inspected at 8 other points - Essen, Cologne, Luenchen-Gladbeck, Offenbach, Luenchen, Nuerenberg, Augsburg and Berlin. This change in the inspection procedure was made at the request of the Foreign Agricultural Service and interested German importers who found that the inspection procedures were delaying the movement of these products in distribution channels.

Veterinary regulations require that the lymph glands remain on the livers at the time of inspection. In the United States it is customary for the glands to be removed in the packinghouse. Therefore, any shipments prepared for export to Germany must be specially prepared at the time the animals are slaughtered.

The German importers complain that the requirement that the offals be thawed for inspection and that the glands be present are unnecessary. Considerable labor is required to open the boxes and separate the offals into individual pieces to be viewed by the inspectors. After the inspection, they have to be refrozen with a deterioration in their quality or must be processed into sausage within a short period. The thawing process results in shrinkage, and the products are not attractive if repacked in the old boxes. Importers have to pay the freight on the glands which are of little or no use to them and bear the cost of trimming them off before use. The importers believe that after they have undergone the thorough inspection given them by the Federal Meat Inspection of the United States the German inspectors should pass the products for entry after sample inspection.

Dollar Shortage Limits Imports from U.S.

German importers receive some dollars from the proceeds of the sale of meat products to U.S. commissaries in Germany which supply meat products to servicemen and their dependents stationed abroad. These dollars are allocated to importers. In addition to this money, importers buy premium dollars in the money markets. The rate for these dollars in late 1955 was around 16 percent.

According to the Quartermaster Corps U.S. troops stationed abroad and fed in Army messes are supplied with meat products brought in from the United States. However, personnel not eating at a military establishment and their dependents generally hold commissary cards. They may also purchase products in German stores if it is to their advantage to do so. The commissaries are set up to provide food at low cost to servicemen and their families. If prices in the commissaries are not in line with comparable products in local stores, there is no advantage in the servicemen buying from them. The commissaries are not able to sell United States products at prices above comparable products obtained from other sources.

Import Duties and Taxes

Imports of meat products in Germany generally are also subject to import duties and Equalization Turnover Taxes which have the same affect on imports as a tariff. Effective December 10, 1955, the import duty for members of GATT on hog livers for the four months January 1 - April 30 was reduced from 7 to 5 percent ad valorem, the duty on cattle livers was reduced from 15 to 5 percent, and the rate on kidneys and other offals from cattle and hogs was reduced from 15 or 20 percent to 10 percent. For hog livers the Equalization Turnover Tax amounts to 4 percent of the c.i.f. value plus the duty, and for hog kidneys it is 7 percent of the c.i.f. value plus the duty. The import duty on canned pork is 22 percent ad valorem, and there is a 6 percent Equalization Turnover tax. The import duty on fresh or frozen pork is 16 percent. The duty on salted pork is 26 percent.

Prices of U.S. Products Favorable

The controls, as enumerated above, prevent imports of meat products from the United States although prices of many pork cuts and variety meats of pork and beef could be exported to Germany at current prices. If controls on imports were removed for European countries as well as dollar areas, there would be a flood of meat products reaching Germany, and United States exporters would face direct competition against other European countries for a share of the enlarged market.

There is a definite limitation on the quantity of fresh or frozen meat products that may be imported by Germany due to the fact that there is little refrigeration in homes and stores, and the facilities for the distribution of frozen foods are poorly developed. Frozen variety meats now being imported from the United States are manufactured into sausages or other processed

products for which there is a very large market within the country. There is a demand for still more of these variety meat products and sausage trimmings for this use, including hearts, tongues, lungs, brains and these items could be exported from the United States if the trade were not controlled.

There is also a strong demand for fresh or frozen pork items for curing and smoking, such as bellies, shoulders and hams. During November 1955 Belgian fresh sow bellies were quoted at the equivalent of 27 to 31 cents per pound in Hamburg. In early January 1956 these products in frozen form could be purchased at Chicago for 8 to 11 cents per pound, and could be transported to Hamburg at a total cost of less than 13 to 16 cents per pound. The import duty would be 16 percent of the c.i.f. value and the Equalization Turnover Tax (4 percent of the c.i.f. value plus the duty) would apply. Thus, the delivered price for United States bellies, duty paid in Hamburg, would be around 16 to 19 cents per pound compared with the 27-31 cents for imports from Belgium. Frozen pork items are commonly defrosted, cured and smoked with little or no change in the character of the finished products from that prepared from fresh products.

The attached tables show a number of other items which could be shipped to Germany if the import restrictions were modified or eliminated. The price quotations for Chicago are for frozen products while the quotations for Germany are on a fresh basis unless otherwise specified. The relatively wide spread between prices of fresh and frozen hog livers illustrates the price effects of the limited outlets for frozen products in Germany. The spread between prices of fresh and frozen products in Germany must be considered in comparing prices between Germany and the United States.

Wholesale Prices of Meat Products At
Hamburg and Munich, Germany and Chicago

Item	Average wholesale prices Hamburg mid-November 1955	Average wholesale prices, comparable products, Chicago January 6, 1956
- - - - cents per pound - - - -		
<u>Hog Carcasses and Cuts</u>		
Hams	43 - 44	28 - 37
Shoulders	35 - 38	14 - 18
Trimmed bellies	34 - 35	7 - 19
Boneless loins	48	50
Bacon	41	10 - 19
Hog sides from N. German country slaughterhouses at R.R. cars or trucks	35	
Danish sows converted to meat equivalent, Kiel or Lubeck	33	
Belgian sow bellies, fresh or frozen, av. wt. 15 Kilo. at Hamburg	27	8 - 9
Belgian sow bellies, fresh or frozen, av. wt. 7-9 Kilo. at Hamburg	31	10 - 11
<u>Pork variety meats and trimmings</u>		
Sausage trimmings	11	9
Cheek meat	18 - 19	16
Fat trimmings	7 - 8	
Fat back for processing into sausage	14	
Imported, duty paid, inspected, Hamburg:		
Fresh hog livers Denmark	52	
Frozen hog livers, U.S.	30	
Frozen hog kidneys, U.S.	25	
<u>Frozen beef front quarters for processing at N. German slaughter plants</u>	21	22 - 27
<u>Pork variety meats</u>		
Livers, German production	54	9 - 10
Kidneys, German production	46	6 - 7
Hearts	41	9
Tongues	46	11 - 17
Brains	33	6 - 7
Pork, lungs (Denmark)	15	-
Pigs feet*	6 - 7	4 - 5
Hearts*	5	5
<u>Beef variety meats</u>		
Hearts	27	10 - 13
Brains	28	4 - 5
Ox tails	30	10 - 12
Tongues	50	21 - 27
Tripe, cooked	7	5 - 6
Lungs	9	5
Liver*	23 - 41	15 - 22
Hearts*	5	5

* Prices at Bremen, November 28, 1955.

United States Exports of Meat Products to
Western Germany, 1950-1955

ITEM		1950	1951	1952	1953	1954	1955	Rank of	Jan.-	Nov.
								Germany as export market		
during 1954										
Animal Fats and Oils										
Lard	126,520	31,488	95,812	34,316	49,583	58,294				
Oleo oil, edible	-	-	-	-	-	-				3
Oleo stock, edible	-	-	-	-	-	-				-
Tallow, edible	262	-	1,024	66	-	55				7
Shortenings (animal fat)	-	-	-	-	-	120				-
Meat Products										5
Beef and Veal:										
Fresh or frozen	neg.	1	-	-	-	3,502	2,565	-		60
Canned	-	-	-	-	-	-	-			
Pickled or cured	-	-	-	-	-	-	-			
Total Beef and Veal	-	-	-	-	-	3,502	2,576	60		
Pork:										
Fresh or frozen	-	-	3,581	1,421	503	1,279				
Hams & shoulders, cured or cooked	-	-	-	-	-	-				
Bacon	2,013	5,383	14,370	-	-	-				
Other pickled, salted or cured	-	345	10,309	34,097	11,343	12,783				
Hams and shoulders canned	neg.	-	-	-	4	-				
Other pork, canned	-	-	-	-	6	-				
Total Pork	2,013	5,728	20,260	35,667	11,379	14,062				
Lamb and mutton (except canned)	-	-	-	-	-	-				
Sausage, bologna & frankfurters	2	-	-	-	-	-				
Except canned	22	-	-	-	-	-				
Canned	16	-	-	-	-	-				
Canned meat products n.e.c.	-	-	-	-	-	-				
Baby food, meat	-	-	-	-	-	-				2
Total Meat	2,054	5,728	20,260	39,169	11,458	11,064				
Variety Meats										
Other Livestock Products:										
Sausage casings, hog, natural	350	297	206	174	195	1,079				3
Other natural casings	642	368	269	779	2,132	2,575				2
Cattle hides (1,000 pieces)	13	0	4*	83	760	655				4
Calf and kid skins (1,000 pieces)	15	5	5	53	342	607				4

Meat 1/ Production in Western Germany
1948-50 average and annually 1952-54

Year	Beef and Veal	Lamb and Mutton	Pork	Total <u>2/</u> meat
----- million pounds -----				
1948-50	1,060	45	1,530	2,700
1952	1,470	33	2,850	4,430
1953	1,722	45	2,848	4,684
1954 <u>3/</u>	1,836	39	2,925	4,870
Percentage change 1948-50 average to 1954	+ 73	+ 13	+ 91	+ 80

1/ Carcass meat basis - excludes offal and lard.

2/ Includes horsemeat in addition to types shown in other columns.

3/ Preliminary.

Per Capita Meat Consumption in Western Germany, Prewar
1948-50 Average and Annually 1952-54

<u>Year</u>	<u>Pounds</u>
Prewar <u>1/</u>	113
1948-50 average	61
1952	93
1953 <u>2/</u>	93
1954 <u>2/</u>	96

1/ Prewar territory

2/ Preliminary

Number of Livestock on Farms in Western Germany
December 1, 1935-39 Average
1945-49 and by years 1951-54

Item	Averages						1/	1/
	1935-39	1945-49	1951	1952	1953	1954		
	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000
All cattle	: 12,114	: 10,831	: 11,375	: 11,641	: 11,641	: 11,641	: 11,521	: 11,521
Milk cows	: 5,990	: 5,507	: 5,804	: 5,822	: 5,863	: 5,863	: 5,777	: 5,777
Hogs	: 12,660	: 2/ 6,866	: 13,603	: 12,979	: 12,435	: 12,435	: 14,525	: 14,525
Sheep and lambs	: 1,889	: 2,274	: 1,666	: 1,514	: 1,352	: 1,352	: 1,226	: 1,226
Horses	: 1,542	: 1,596	: 1,455	: 1,360	: 1,271	: 1,271	: 1,172	: 1,172

1/ Preliminary

2/ Official statistics; may be underestimates of actual numbers.

Calculation of the Principal Cost Items in Exporting
Frozen Variety Meats to Germany
(Dollars per 100 pounds)

Item	Pork Kidneys	Pork Livers	Beef Livers regular
Chicago wholesale price frozen products January 6	6.625	9.50	15.0
Freight to New York	.0094	.0094	.0094
Ocean freight to Bremen or Hamburg	3.30	3.30	3.30
Approximate cost c.i.f. Bremen or Hamburg	9.9344	12.8094	18.3094
Premium for dollars to make importations (16 percent of the c.i.f. value)	1.5895	2.0495	2.9295
Import duty (ad valorem) (10%)	.9934	(5%) .6405	(5%) .9155
Equalization Turnover Tax (varying percentages of c.i.f. value plus duty) (7%)	.7649	(4%) .5380	(4%) .7690
Total of cost items shown	12.2822	16.0374	22.9234

